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TAGS: [ECON](#) [EFIN](#) [IZ](#) [ECON](#)

SUBJECT: IRAQI CONSUMER PRICES ROSE 5.7 PERCENT IN FIRST HALF 2005

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1. (SBU) SUMMARY: Consumer prices increased modestly during June by 1 percent and prices are up 5 percent for the first half of 2005. The 12-month inflation rate - from July 2004 through June 2005 - rose slightly to 37 percent. Consumer prices may increase more rapidly in the second half of 2005 if conditions in 2004 are repeated when consumer prices rose approximately 30 percent from July through December. END SUMMARY.

2. (SBU) The Ministry of Planning's consumer price index indicates that the general level of prices increased 1.0 percent in June following a decrease of 2.1 percent the previous month. The Iraq consumer price index increased 5.7 percent in the first six months of 2005, up from only 1.5 percent in the same period of 2004. Relative to twelve months earlier, the price level in June had increased 37 percent.

3. (SBU) After an inflation spurt in January this year, the level of prices fell in February, and through June, held steady about 40 percent above the December 2003 price index. A similar pattern occurred in the first half of 2004 but then the price index jumped some 48 percent from June 2004 through January 2005.

4. (SBU) Percent changes in components of the COSIT consumer price index relative to the preceding month and a year earlier are presented in the following table. It also records weights for each commodity class used in calculating the index. In June there was a decline in Fuel/electricity prices but a 76 percent increase relative to a year earlier. The weight for this category in calculating the index is only 2.1 percent. There were substantial increases in prices of Furniture, Medical services, and Miscellaneous items in June, each of which also has a comparatively low weight in the consumer price index. Relative to twelve months earlier, both Food and Rent, which are heavily weighted, increased about 38 percent, nearly the same as the 37 percent increase in the overall index.

Item	% Increase/(Decrease)		
	One Month	12 Months	Weight
Tobacco/alcohol	0.5	(0.9)	3.5
Clothing, fabric, shoes	0.0	10.7	9.7
Fuel/electricity	(5.9)	76.4	2.1
Transportation/communications	0.2	55.1	4.9
Food	(0.2)	37.6	63.2
Furniture	4.2	9.8	3.1
Medical services	4.0	11.8	1.5
Rent	2.6	37.8	11.5
Miscellaneous	3.1	26.8	0.5
All items	1.0	37.2	100.0

COMMENT

5. (SBU) COMMENT: Monthly Iraq CPI statistics through June show a comparable leveling to what was observed in the first half of 2004. That the consumer price index increased over 5 percent in the first half of 2005 compared with only 1.5 percent during the comparable year earlier period raises concern about inflation, particularly should substantial increases in inflation that occurred in the last half of 2004 be repeated this year. END COMMENT

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